



## APPENDIX

Organic Act of Puerto Rico (Act of March 2, 1917), c. 145, 39 Stat. 951, as amended by the Act of May 17, 1932, c. 190, 47 Stat. 158:

Sec. 2. That no law shall be enacted in Puerto Rico which shall deprive any person of life, liberty, or property without due process of law, or deny to any person therein the equal protection of the laws.

\* \* \* \* \*

That the rule of taxation in Puerto Rico shall be uniform.

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(48 U. S. C., 1940 ed., Sec. 737.)

Laws of Puerto Rico (1925):

Act No. 74, approved August 6, 1925.

Section 4.—(a) The term “dividend” when used in this title (except when used in paragraph (9) of subdivision (a) of section 32 and paragraph (4) of subdivision (a) of section 43 means any distribution made by a corporation to its shareholders, whether in money or in other property, out of its earnings or profits accumulated after February 28, 1913; and the term “profits” means any distribution made by a partnership to its members and participants out of its earnings obtained after February 28, 1913.

\* \* \* \* \*

Section 15.—For the purposes of this title, except as otherwise provided in section 31—

(a) The term "gross income" includes gains, profits, and income derived from salaries, wages, or compensation for personal service (including in the case of the officers and employees of The People of Porto Rico or of any political subdivision thereof, the compensation received as such), of whatever kind and in whatever form paid, or from profession, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends, partnership profits, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever; \* \* \*.

\* \* \* \*

Section 18.—For the purpose of the normal tax only there shall be allowed the following credits:

(a) The amount received as partnership profits or dividends (1) from a domestic corporation \* \* \* ;

\* \* \* \*

Section 24.—(a) The following individuals shall each make under oath a return stating specifically the items of his gross income and the deductions and credits allowed under this title—

\* \* \* \*

(b) If a husband and wife living together have an aggregate net income for the taxable year of \$2,500, or over, or an aggregate gross income for such year of \$5,000 or over—

(1) Each shall make such a return, or

(2) The income of each shall be included in a single joint return, in which case the tax shall be computed on the aggregate income.

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Laws of Puerto Rico (1941):

Act No. 31, approved April 12, 1941.

Section 1.—Paraphraphs [*sic*] (2) and (3) of subdivision (a) of Section 2 of Act No. 74, entitled “An Act to provide revenues for The People of Porto Rico through the levying of certain income taxes, and for other purposes,” approved August 6, 1925, as amended by Act No. 18, of June 3, 1927; Act No. 30, of April 26, 1932; Act No. 102, of May 14, 1936; Act No. 74, of May 9, 1937 and Act No. 2, of May 25, 1939, are hereby amended as follows:

\* \* \* \* \*

“Section 2.—

“(a)—(3)—The term ‘partnership’ includes civil, business, industrial, agricultural and professional partnerships or of any other kind, whether or not its constitution is set forth by public deed or private document; and it shall include, further, two or more persons, under a common name or not, engaged in a joint venture for profit.”

Section 2.—Subdivision (a) of Section 3 of said Act is hereby amended as follows:

“Section 3.—(a) The term ‘taxable year’ means the calendar year, or the fiscal year ending during each calendar year, upon the basis of which the net income is computed under Sections 14 or 30. The term ‘fiscal year’ shall mean an accounting period of twelve (12) months ending on the last day of any month other than December. The term ‘taxable year’ includes, in the case of

a return made for a fraction of a year under the provisions of this title or under regulations prescribed by the Treasurer, the period for which such return has been made. The first taxable year, for the purpose of this Act, shall be the calendar year 1940, or any fiscal year ending during the calendar year 1940."

Section 3.—Subdivision (a) of Section 4 of said Act is hereby amended as follows:

"Section 4.—(a) The term 'dividend' when used in this title, except when used in paragraph (8) of subdivision (a) of section 32 and paragraph (3) of subdivision (a) of Section 43 shall mean any distribution made by a corporation to its shareholders, whether in money or in other property, out of its earnings or profits accumulated after February 28, 1913, or out of the returns, earnings or profits obtained during the taxable year, computed at the close of the taxable year without making any deductions for any distribution made during the taxable year, regardless of what the amount of the earnings, returns, or profits might have been or where at the time the distribution was made. The term 'earnings' shall mean any share or right to share in a partnership, which belongs to its partners or participants in each taxable year out of the earnings or profits of any partnership."

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Section 5.—Subdivision (a) of section 12 of said Act is hereby amended to read as follows:

"Section 12.—(a) There shall be levied, collected and paid for each taxable year on the net income of every citizen of Puerto Rico a normal tax of eight (8) percent of

the amount of the net income in excess of the credits provided in Section 18; except that in the case of residents of Puerto Rico the rate on the first three thousand (3,000) dollars of said amount in excess shall be three (3) percent, and on the following two thousand (2,000) dollars of said amount in excess, the rate shall be five (5) percent, and on the following two thousand (2,000) dollars of said amount in excess, or, that is; \$5,000 to \$7,000, the rate shall be seven (7) percent; *Provided*, That said normal tax may also be assessed and collected on the income received by shareholders for dividends; *Provided, further*, That on the income of every person not a resident of Puerto Rico who is not a citizen of Puerto Rico there shall be levied, collected, and paid for each taxable year, a normal tax of ten (10) percent on the amount of the net income, and there shall be levied, in addition, the surtax fixed by Section 13."

Section 6.—Subdivision (a) of Section 13 of said Act is hereby amended as follows:

"Section 13.—(a) In addition to the normal tax imposed by Section 12 of this Act, there shall be levied, collected, and paid for each taxable year on the net income of every individual a surtax as follows:

"On a net income of up to \$7,000, inclusive, there shall be no surtax; on larger incomes in excess of \$7,000 and not in excess of \$10,000, three (3) percent of such excess.

"\$90 on net incomes of \$10,000; and on net incomes in excess of \$10,000 and not in excess of \$14,000, five (5) percent additional on such excess.

"\$290 on net incomes of \$14,000; and on net incomes in excess of \$14,000 and not in

excess of \$16,000, seven (7) percent additional on such excess.

“\$430 on net incomes of \$16,000; and on net incomes in excess of \$16,000 and not in excess of \$18,000, nine (9) percent additional on such excess.

“\$610 on net incomes of \$18,000; and on net incomes in excess of \$18,000 and not in excess of \$20,000, ten (10) percent additional on such excess.

“\$810 on net incomes of \$20,000; and on net incomes in excess of \$20,000 and not in excess of \$22,000, eleven (11) percent additional on such excess.

“\$1,030 on net incomes of \$22,000; and on net incomes in excess of \$22,000 and not in excess of \$24,000, twelve (12) percent additional on such excess.

“\$1,270 on net incomes of \$24,000; and on net incomes in excess of \$24,000 and not in excess of \$26,000, thirteen (13) percent additional on such excess.

“\$1,530 on net incomes of \$26,000; and on net incomes in excess of \$26,000 and not in excess of \$28,000, fourteen (14) percent additional on such excess.

“\$1,810 on net incomes of \$28,000; and on net incomes in excess of \$28,000 and not in excess of \$30,000, fifteen (15) percent additional on such excess.

“\$2,110 on net incomes of \$30,000; and on net incomes in excess of \$30,000 and not in excess of \$34,000, sixteen and one-half ( $16\frac{1}{2}$ ) percent additional on such excess.

“\$2,770 on net incomes of \$34,000; and on net incomes in excess of \$34,000 and not in excess of \$36,000, seventeen and one-half ( $17\frac{1}{2}$ ) percent additional on such excess.

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Section 10.—Section 18 of said Act is hereby amended to read as follows:

“Section 18.—For the purpose of the normal tax, there shall be allowed only the following credits:

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[Subdivision (a) of Section 18 of Act No. 74, approved August 6, 1925, *supra*, is repealed by this amendment.]

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Section 13.—Subdivisions (a) and (b) of Section 24 of said Act, are hereby amended to read as follows:

“Section 24.—(a) The following individuals shall each make under oath a return stating specifically the items of his gross income and the deductions and credits allowed under this title—

\* \* \* \* \*

“(b) If a husband and wife living together have a net income for the taxable year of \$2,000, or over, or an aggregate gross income for such year of \$5,000 or over, the total income of both shall be included in a single joint return, and the normal and additional tax shall be computed on the aggregate income. The net or gross income received by anyone of the spouses shall not be divided between them.”

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Section 26.—Every person required to make a return in accordance with the provisions of this Act, as amended, and every person who, for any reason, may have failed to make his return on March 15, 1941, in spite of the fact that he was so required under the Act in force on that date, may make his return within the thirty (30) days following the effective



date of this Act and pay the tax corresponding to the taxable year of 1940, and, upon so doing, he shall not incur the penalties prescribed in the first paragraph of subdivision (2) of Section 77 of this Act.

Section 27.—If any provision of this Act, or the application thereof to any person or circumstance, is held to be invalid, the remainder of the Act and the application of said provision to other persons or circumstances shall not be affected.

Section 28.—All laws or parts of laws in conflict herewith are hereby repealed.

Section 29.—It is hereby declared that there exists a necessity and an emergency for the retroactivity of this Act, and the same shall take effect ninety days after its approval, which shall take effect from and after January 1, 1940.

#### Laws of Puerto Rico (1941):

Act No. 159, approved May 13, 1941.

Section 1.—Section 12 of Act No. 74 entitled "An Act to provide revenues for The People of Porto Rico through the levying of certain income taxes, and for other purposes," approved August 6, 1925, as subsequently amended, is hereby drafted as follows:

"Section 12.—(a) There shall be levied, collected and paid for each taxable year on the net income of every person a resident of Puerto Rico a normal tax of eight (8) percent of the amount of the net income in excess of the credits provided in Section 18; except that in the case of American citizens, residents of Puerto Rico, the rate on the first three thousand (3,000) dollars of said amount in excess shall be three (3) percent, and on the following two thousand (2,000)

dollars of said amount in excess, the rate shall be five (5) percent, and on the following two thousand (2,000) dollars of said amount in excess, or, that is; \$5,000 to \$7,000, the rate shall be seven (7) percent; *Provided*, That said normal tax may also be assessed and collected on the income received by shareholders for dividends; *Provided, further*, That on the income of every person not a resident of Puerto Rico who is not a citizen of Puerto Rico there shall be levied, collected, and paid for each taxable year, a normal tax of ten (10) percent on the amount of the net income, except that in the case of nonresidents who are American citizens the normal tax shall be eight (8) percent on the net income, and there shall be levied, in addition, the surtax fixed by Section 13."

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Section 6.—If any provision of this Act or the application thereof to any person or circumstance is declared void, the rest of the Act, and the application of said provision to other persons or circumstances, shall not be affected.

Section 7.—All laws or parts of laws in conflict herewith are hereby repealed.

Section 8.—It is hereby declared that there exists a necessity and an emergency for the retroactivity of this Act, and the same shall take effect ninety days after its approval, which shall take effect from and after January 1, 1940.

Laws of Puerto Rico, First Special Session (1941):

Act No. 23, approved November 21, 1941.

Section 1.—Subdivision (a) of Section 3 of Act No. 74, entitled "An Act to provide

revenues for The People of Porto Rico through the levying of certain income taxes, and for other purposes," approved August 6, 1925, as amended by Act No. 18 of June 3, 1927, Act No. 30 of April 26, 1932, Act No. 102 of May 14, 1936, Act No. 74 of May 9, 1937, Act No. 2 of May 25, 1939, Act No. 31 of April 12, 1941, and Act No. 159 of May 13, 1941, is hereby amended as follows:

"Section 3—(a) The term 'taxable year' means the calendar year, or the fiscal year ending during each calendar year, upon the basis of which the net income is computed under Sections 14 or 30. The term 'fiscal year' shall mean an accounting period of twelve (12) months ending on the last day of any month other than December. The term 'taxable year' includes, in the case of a return made for a fraction of a year under the provisions of this title or under regulations prescribed by the Treasurer, the period for which such return has been made. The first taxable year, for the purposes of this Act, shall be the calendar year 1941, or any fiscal year ending during the calendar year 1941."

\* \* \* \* \*

Section 11.—It is hereby declared that there exist a necessity and emergency for the retroactivity of this Act, and it shall take effect ninety (90) days after its approval which shall take effect from and after January 1, 1941.

